

FISCAL IMPACT STATEMENT ON BILL NO. **H.3819**

(Doc. No. Unknown)

TO:	The Honorable Robert Harrell, Chairperson, House Ways and Means Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Allan Kincaid		
DATE:	May 4, 2005	SBD:	2005455

AUTHOR:	Representative Scott	PRIMARY CODE CITE:	1-11-730
SUBJECT:	Disabled Law Enforcement Officers Eligible for State Health & Dental Coverage		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
A Cost to the General Fund (See Below)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
\$0 (No additional expenditures or savings expected)

BILL SUMMARY:

The proposed Bill amends Section 1-11-730, of the Code of Laws of South Carolina, 1976, relating to persons eligible to participate in state insurance plans, so as to provide that a law enforcement officer employed by an entity whose employees are eligible for state insurance plans under Section 1-11-720 of the Code of Laws (generally local governments and hereafter referred to as local governments) who is permanently disabled in the line of duty as a result of an injury, accident, or illness arising out of or in the course of employment and whose employment is terminated as a result of the disability is eligible for state health and dental insurance plans and state-paid premiums.

EXPLANATION OF IMPACT:

Based on information from the Employee Insurance Program, State Budget and Control Board there are 687 persons currently classified as disability retirees in the Police Officers' Retirement System whose final employer was a local government. Based on 2004 experience, approximately 61 persons from these employers become disabled each year. Of the 687 local government disabled retired persons in the PORS, 423 are from employers not participating in the State Health Plan, and of the 61 added each year, approximately 35 (again based on 2004 experience) would not be covered in the State Health Plan. Assuming 90% of the law enforcement officers (618) retired because of a work related condition, the first year's state paid premiums would be approximately \$2.4 million. Premiums are expected to grow by \$209,000 annually (2006 dollars) using an average employer contribution per subscriber of \$3,801 per year.

Based on the experience of disability retirees in the State Health Plan at present, it is estimated the average medical expense of these persons will exceed contributions charged by \$6,618 per person annually. It is estimated the additional claims cost on behalf of the 381 retirees estimated to become eligible that are not presently participating in the State Health Plan will be approximately \$2.5 million immediately and each year thereafter costs for additional newly eligible are expected to increase by \$212,000 (2006 dollars).

The table below shows the cumulative costs with a growth factor of 8% for premiums and medical costs over a range of 10 years. It is assumed these additional costs would be covered by the General Fund of the State.

<u>Summary of Annual Costs</u>				
Year	Premiums	Medical Costs	Total	Cumulative
2006	2,349,092	2,521,458	4,870,550	4,870,550
2007	2,762,806	2,951,893	5,714,699	10,585,249
2008	3,227,680	3,435,060	6,662,740	17,247,989
2009	3,749,252	3,976,641	7,725,893	24,973,882
2010	4,333,618	4,582,891	8,916,509	33,890,391
2011	4,987,487	5,260,691	10,248,178	44,138,569
2012	5,718,241	6,017,608	11,735,849	55,874,418
2013	6,533,995	6,861,964	13,395,959	69,270,377
2014	7,443,673	7,802,904	15,246,577	84,516,954
2015	8,457,082	8,850,477	17,307,559	101,824,513
2016	9,584,997	10,015,724	19,600,721	121,425,234

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

Approved by:



Don Addy
Assistant Director, Office of State Budget